

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Millen Township	County Alcona
Fiscal Year End March 31, 2006	Opinion Date September 12, 2006	Date Audit Report Submitted to State September 29, 2006	

We affirm that:

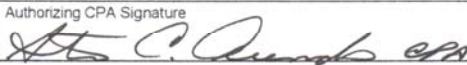
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - ☐ ☒ The local unit has adopted a budget for all required funds.
 - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - ☐ ☒ The local unit is free of repeated comments from previous years.
 - ☒ ☐ The audit opinion is UNQUALIFIED.
 - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Baird, Cotter and Bishop, P.C.		Telephone Number 231-775-9789	
Street Address 134 W. Harris Street		City Cadillac	State MI
		Zip 49601	
Authorizing CPA Signature 	Printed Name Steven C. Arends		License Number 1101013211

MILLEN TOWNSHIP, ALCONA COUNTY

BARTON CITY, MICHIGAN

MARCH 31, 2006

MILLEN TOWNSHIP, ALCONA COUNTY
BARTON CITY, MICHIGAN

MARCH 31, 2006

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Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

September 12, 2006

INDEPENDENT AUDITORS' REPORT

To the Township Board
Millen Township
Alcona County
Barton City, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Millen Township, Alcona County, Barton City, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Millen Township, Alcona County, Barton City, Michigan as of March 31, 2006, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note I, the Township has implemented a new financial reporting model as required by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* as of April 1, 2004.

The management's discussion and analysis on pages iii through ix and budgetary comparison information on page 18 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Millen Township, Alcona County, Barton City, Michigan's basic financial statements. The combining and individual fund financial statements, and other supplementary information are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

MILLEN TOWNSHIP, ALCONA COUNTY
BARTON CITY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

Millen Township, a general law township located in Alcona County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Millen Township board's discussion and analysis of the financial results for the fiscal year ended March 31, 2006.

Financial Highlights

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$326,454. Of this amount, \$44,061 may be used to meet the township's ongoing obligations to citizens and creditors.
- ◆ As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$164,062. About 26.86% is available for spending at the Township's discretion.
- ◆ The Township is not obligated under any long-term debt as of March 31, 2006.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements The government-wide financial statements, required by GASB 34, are new and being shown for the first time in 2006 for Millen Township. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Township's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

MILLEN TOWNSHIP, ALCONA COUNTY
BARTON CITY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

Both of the government-wide financial statements distinguish functions of the Township's that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

Fund Financial Statements

The fund level statements are reported on a modified accrual basis in that only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements the governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Proprietary Funds – Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township does not maintain any proprietary funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

Government-Wide Financial Analysis

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township's financial position over

MILLEN TOWNSHIP, ALCONA COUNTY
BARTON CITY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

time. The Net Assets of the Township are \$326,454 at March 31, 2006, meaning the Township's assets were greater than its liabilities by this amount.

Millen Township
Net Assets as of March 31, 2006

	Governmental Activities
Assets	
Current Assets	\$ 167,629
Non Current Assets	
Capital Assets	174,759
Less: Accumulated Depreciation	12,367
Total Non Current Assets	162,392
Total Assets	\$ 330,021
Liabilities	
Current Liabilities	\$ 3,567
Net Assets	
Invested in Capital Assets	162,392
Restricted for Specific Purposes	120,001
Unrestricted	44,061
Total Net Assets	326,454
Total Liabilities and Net Assets	\$ 330,021

The most significant portions of the Township's Net Assets are cash and investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others) less any related debt that is outstanding that the Township used to acquire the asset. The Township has \$44,061 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by Township policies regarding their use.

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net assets for the government as a whole, as well as for its separate governmental activities.

The total net assets of the Township increased by \$34,380 in this fiscal year, which is an indicator that the Township experienced positive financial growth during the year. As a result, the Township ended the fiscal year in better condition than when the year began.

MILLEN TOWNSHIP, ALCONA COUNTY
BARTON CITY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.

Millen Township
Change in Net Assets
for the Fiscal Year Ended March 31, 2006

	<u>Governmental Activities</u>
<u>Revenues</u>	
Program Revenues	
Charges for Services	\$ 4,934
Operating Grants and Contributions	2,423
Capital Grants and Contributions	4,100
General Revenues	
Property Taxes	76,356
State Grants	31,656
Interest Earnings	1,733
Other	262
Total Revenues	<u>121,464</u>
<u>Expenses</u>	
Legislative	7,114
General Government	36,452
Public Safety	19,968
Public Works	9,485
Community and Economic Development	3,287
Recreational and Cultural	2,615
Other Functions	8,163
Total Expenses	<u>87,084</u>
Changes in Net Assets	34,380
<u>NET ASSETS</u> - Beginning of Year	<u>292,074</u>
<u>NET ASSETS</u> - End of Year	<u><u>\$ 326,454</u></u>

MILLEN TOWNSHIP, ALCONA COUNTY
BARTON CITY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

Governmental Activities

During the fiscal year ended March 31, 2006, the Township's net assets increased by \$34,380 in the governmental funds. The majority of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. This is true despite the fact that GASB 34 now requires the Township to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

The most significant portion of the revenue for all governmental activities of Millen Township comes from property taxes. The Township levied a millage for road improvement and fire protection, in addition to the operating millages, this fiscal year. The Township levied 0.5835 mills for operating purposes, 0.9720 mills for road maintenance, and 0.9720 mills for fire protection.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax. In fiscal year 2006, the amount of state shared revenue received by the Township trended downward, representing declining sales tax collections and discretionary reductions by the State in revenue sharing payments.

The Township's governmental activities expenses are dominated by general governmental expenses that total 41.86% of total expenses. The Township spent \$36,452 in fiscal year 2006 on General Government expenses. Public Safety represented the next largest expense at \$19,968, or 22.93% of total expenses. Expenses for salaries and contracted services represent a large portion of the General Government expenses at \$35,192. Depreciation expense added another \$642 in General Government and \$5,398 in Public Works.

Business-Type Activities

The Township does not maintain any Business-Type Activities.

Financial Analysis of the Government's Funds

Governmental Funds The focus of Millen Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Millen Township's governmental funds reported combined ending fund balances of \$164,062. Approximately 26.86%, or \$44,061 constitutes unreserved fund balance. The remainder of the fund balance is reserved for specific purposes and is therefore not available for new appropriation. For example, the fund balance that is reserved for road maintenance must be used for expenditures that relate to road maintenance.

MILLEN TOWNSHIP, ALCONA COUNTY
BARTON CITY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

General Fund – The General Fund decreased its fund balance by \$(1,848) which brings the fund balance to \$44,061. The General Fund's fund balance is unreserved. Of the General Fund's functions, Elections, Clerk, Board of Review and Community and Economic Development, ended the year with expenditures above budgeted amounts. The differential was funded by available fund balance. Property taxes amounted to \$11,985. State shared revenues were collected in the amount of \$31,656.

Road Fund – The Road Fund decreased its fund balance by \$(20,997) which brings the fund balance to \$75,696. This balance is reserved and must be used for road maintenance. Property taxes collected amounted to \$19,968.

Fire Fund – The Fire Fund fund balance remained the same at \$0. Property taxes collected amounted to \$19,968. The only expenditure was for contracted fire protection services in the amount of \$19,968.

Municipal Building Fund – The Municipal Building Fund decreased its fund balance by \$(1,981) which brings the fund balance to \$44,305. This balance is reserved for improvements to the municipal building.

Proprietary Fund – The Township does not maintain any proprietary funds.

Capital Assets and Debt Administration

Capital Assets. The Township's investment in capital assets for governmental and business-type activities as of March 31, 2006 amounted to \$162,392 net of accumulated depreciation.

Capital assets summarized below include any items purchased with a cost greater than \$5,000 individually and that have a useful life greater than one year. At times the Township may elect to capitalize items at a cost less than \$5,000. A summary of capital asset categories is illustrated below:

MillenTownship
Capital Assets as of March 31, 2006

	Governmental Activities
Land	\$ 41,708
Furniture and Fixtures	4,267
Machinery and Equipment	5,675
Infrastructure	123,109
	<hr/> 174,759
Less Accumulated Depreciation	<hr/> (12,367)
Net Capital Assets	<hr/> \$ 162,392 <hr/>

MILLEN TOWNSHIP, ALCONA COUNTY
BARTON CITY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

Major capital asset events during the current fiscal year included:

- A voting machine was obtained through a state grant at a value of \$4,100.
- Improvements were completed at Trask Lake Road at a cost of \$60,609.
- File cabinets were purchased at a cost of \$537.

Long-Term Debt. Millen Township has no obligation for any long-term debt as of March 31, 2006.

Economic Condition and Outlook

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means further reductions in state-shared revenues.

These factors were considered in preparing the Township's budgets for the 2006-07 fiscal year.

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Millen Township at P.O. Box 231, Barton City, MI 48705-0231.

MILLEN TOWNSHIP, ALCONA COUNTY

BARTON CITY, MICHIGAN

STATEMENT OF NET ASSETS

MARCH 31, 2006

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 153,794
Taxes Receivable	6,209
Due from Other Governments	<u>7,626</u>
Total Current Assets	<u>167,629</u>
<u>CAPITAL ASSETS</u>	
Land	41,708
Furniture and Fixtures	4,267
Machinery and Equipment	5,675
Infrastructure	<u>123,109</u>
	174,759
Less Accumulated Depreciation	<u>12,367</u>
Net Capital Assets	<u>162,392</u>
TOTAL ASSETS	<u><u>\$ 330,021</u></u>
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	\$ 1,179
Payroll Taxes and Withholdings	<u>2,388</u>
Total Current Liabilities	<u>3,567</u>
<u>NET ASSETS</u>	
Invested in Capital Assets Net of Related Debt	162,392
Restricted for Municipal Building	44,305
Restricted for Road Maintenance	75,696
Unrestricted	<u>44,061</u>
TOTAL NET ASSETS	<u><u>\$ 326,454</u></u>

The accompanying notes are an integral part of the financial statements.

MILLEN TOWNSHIP, ALCONA COUNTY
BARTON CITY, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2006

					NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS TOTAL GOVERNMENTAL ACTIVITIES
FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
<u>PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES</u>					
Legislative	\$ 7,114	\$ 0	\$ 0	\$ 0	\$ (7,114)
General Government	36,452	4,934	0	4,100	(27,418)
Public Safety	19,968	0	0	0	(19,968)
Public Works	9,485	0	2,423	0	(7,062)
Community and Economic Development	3,287	0	0	0	(3,287)
Recreation and Cultural	2,615	0	0	0	(2,615)
Other Functions	8,163	0	0	0	(8,163)
Total Governmental Activities	<u>\$ 87,084</u>	<u>\$ 4,934</u>	<u>\$ 2,423</u>	<u>\$ 4,100</u>	<u>(75,627)</u>
<u>GENERAL REVENUES</u>					
Property Tax					76,356
State Grants					31,656
Interest Earnings					1,733
Other					262
Total General Revenues					<u>110,007</u>
Change in Net Assets					34,380
<u>NET ASSETS</u> - Beginning of Year					<u>292,074</u>
<u>NET ASSETS</u> - End of Year					<u>\$ 326,454</u>

The accompanying notes are an integral part of the financial statements.

MILLEN TOWNSHIP, ALCONA COUNTY

BARTON CITY, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET

MARCH 31, 2006

	GENERAL FUND	ROAD FUND	FIRE FUND	MUNICIPAL BUILDING FUND	TOTALS
<u>ASSETS</u>					
Cash	\$ 36,181	\$ 73,308	\$ 0	\$ 44,305	\$ 153,794
Taxes Receivable	1,433	2,388	2,388	0	6,209
Due from Other Governments	7,626	0	0	0	7,626
Total Assets	45,240	75,696	2,388	44,305	167,629
<u>LIABILITIES AND FUND BALANCE</u>					
<u>LIABILITIES</u>					
Accounts Payable	1,179	0	0	0	1,179
Due to Other Governments	0	0	2,388	0	2,388
Total Liabilities	1,179	0	2,388	0	3,567
<u>FUND BALANCE</u>					
Reserved for:					
Road Maintenance	0	75,696	0	0	75,696
Municipal Building	0	0	0	44,305	44,305
Unreserved					
Undesignated	44,061	0	0	0	44,061
Total Fund Balance	44,061	75,696	0	44,305	164,062
TOTAL LIABILITIES AND FUND BALANCE	\$ 45,240	\$ 75,696	\$ 2,388	\$ 44,305	\$ 167,629

The accompanying notes are an integral part of the financial statements.

MILLEN TOWNSHIP, ALCONA COUNTY
BARTON CITY, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
MARCH 31, 2006

Total Fund Balances for Governmental Funds	\$ 164,062
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Amounts Reported for Governmental Activities in the
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the funds.

Land	41,708	
Furniture and Fixtures	4,267	
Machinery and Equipment	5,675	
Infrastructure	123,109	
Accumulated Depreciation	(12,367)	162,392
		<hr/>

NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 326,454</u>
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The accompanying notes are an integral part of the financial statements.

MILLEN TOWNSHIP, ALCONA COUNTY

BARTON CITY, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED MARCH 31, 2006

	GENERAL FUND	ROAD FUND	FIRE FUND	MUNICIPAL BUILDING FUND	TOTALS
<u>REVENUES</u>					
Taxes	\$ 17,585	\$ 38,803	\$ 19,968	\$ 0	\$ 76,356
Licenses and Permits	727	0	0	0	727
Federal Grants	0	674	0	0	674
State Grants	35,756	1,749	0	0	37,505
Charges for Services	4,207	0	0	0	4,207
Interest and Rents	121	1,193	0	419	1,733
Other Revenues	262	0	0	0	262
Total Revenues	58,658	42,419	19,968	419	121,464
<u>EXPENDITURES</u>					
Legislative	7,114	0	0	0	7,114
General Government	38,047	0	0	2,400	40,447
Public Safety	0	0	19,968	0	19,968
Public Works	1,280	63,416	0	0	64,696
Community and Economic Development	3,287	0	0	0	3,287
Recreation and Cultural	2,615	0	0	0	2,615
Other Functions	8,163	0	0	0	8,163
Total Expenditures	60,506	63,416	19,968	2,400	146,290
Excess (Deficiency) of Revenues Over Expenditures	(1,848)	(20,997)	0	(1,981)	(24,826)
<u>FUND BALANCE</u> - Beginning of Year	45,909	96,693	0	46,286	188,888
<u>FUND BALANCE</u> - End of Year	\$ 44,061	\$ 75,696	\$ 0	\$ 44,305	\$ 164,062

The accompanying notes are an integral part of the financial statements.

MILLEN TOWNSHIP, ALCONA COUNTY
BARTON CITY, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
MARCH 31, 2006

Net change in Fund Balance - Total Governmental Funds	\$ (24,826)
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Amounts reported for governmental activities are different because:

Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	(6,040)
Capital Outlay	<u>65,246</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 34,380</u></u>
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The accompanying notes are an integral part of the financial statements.

MILLEN TOWNSHIP, ALCONA COUNTY
BARTON CITY, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS AND LIABILITIES
MARCH 31, 2006

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash	\$ 14,688
	<hr/>
<u>LIABILITIES</u>	
Due to Other Governments	\$ 14,688
	<hr/>

The accompanying notes are an integral part of the financial statements.

MILLEN TOWNSHIP, ALCONA COUNTY
BARTON CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Millen Township is a general law township located in Alcona County which operates under the direction of an elected township board. Under the criteria established by accounting principles generally accepted in the United States of America, the Township has determined that there are no component units which should be included in its reporting entity.

B. Government-wide and Fund Financial Statements

During fiscal year 2006, the Township adopted GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statements No. 37 and No. 38, and applied those standards on a retroactive basis. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

Invested in Capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

MILLEN TOWNSHIP, ALCONA COUNTY
BARTON CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Millen Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Fire Fund* accounts for revenue sources that are legally restricted to expenditure for fire protection.

The *Road Fund* accounts for revenue sources that are legally restricted to expenditure for road maintenance.

The *Municipal Building Fund* accounts for revenue sources that are legally restricted to expenditures for building improvements.

MILLEN TOWNSHIP, ALCONA COUNTY
BARTON CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

Additionally, Millen Township reports the following fund types:

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use the restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Equity

1. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

The investment policy adopted by the Township states that the treasurer may invest Township funds in certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank but only if the bank, savings and loan association, or credit union meets all criteria as a depository of public funds contained in state law.

2. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes and one-third of county taxes are levied and due July 1, and become delinquent after September 14. The remaining millages are levied and due December 1, and become delinquent after February 14. Collections of taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both

MILLEN TOWNSHIP, ALCONA COUNTY
BARTON CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2005 taxable valuation of Millen Township totaled \$20,547,039, on which ad valorem taxes levied consisted of 0.5835 mills for Millen Township operating purposes, 0.9720 mills for Millen Township road maintenance, and 0.9720 mills for fire protection. These levies raised approximately \$11,985 for operating purposes, \$19,968 for road maintenance, and \$19,968 for fire protection.

3. *Inventories and Prepaid Items*

Inventories are not significant and are expensed as acquired.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

4. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government, as well as the component units are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Building improvements	20
Land improvements	20
Public domain infrastructure	50
Vehicles	10
Equipment and Furniture	5-10

Millen Township qualifies as a phase 3 governmental unit in regards to the implementation of GASB 34. Phase 3 governmental units are not required to retroactively capitalize infrastructure. As a result, the Township will capitalize and depreciate infrastructure beginning April 1, 2004, in accordance with the Township's capitalization policy.

MILLEN TOWNSHIP, ALCONA COUNTY
BARTON CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

5. *Long-term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

6. *Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

7. *Use of Estimates*

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. *Budgetary Information*

The annual budget is adopted on the modified accrual basis in accordance with the requirements of Michigan Public Act 621 of 1978 "The Uniform Budgeting and Accounting Act". A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budget amounts are as originally adopted on March 22, 2005, or as amended by the Township Board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is, at present, not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

MILLEN TOWNSHIP, ALCONA COUNTY
BARTON CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

B. Funds with expenditures in excess of appropriations were as follows:

	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>
Fire Fund	\$ 0	\$ 19,968

A budget was not adopted for the Fire Fund.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The Township's deposits are owned by several of the Township's funds. Bank deposits are in Huron Community Bank, Lincoln, Michigan.

Investment rate risk. The Township will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Township's cash requirement.

Foreign currency risk. The Township is not authorized to invest in investments, which have this type of risk.

Credit risk. The Township will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in Section 9 of the Township's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the Township will do business in accordance with Section 7 of the Township's investment policy.

Concentration of credit risk. The Township will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of March 31, 2006, \$69,034 of the government's bank balance of \$169,034 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township's investments are categorized to give an indication of the level of risk assumed by the Township at year end. Category 1 includes investments that are insured or registered, or securities held by the Township or the Township's agent in

MILLEN TOWNSHIP, ALCONA COUNTY
BARTON CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

the Township's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the Township's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the Township's name. At year end, the Township held no investments.

B. Receivables

Receivables as of year end for the government's individual major funds are as follows:

	General	Road	Fire	Total
Receivables				
Taxes	\$ 1,433	\$ 2,388	\$ 2,388	\$ 6,209
Due from Other Governments	7,626	0	0	7,626
Total	<u>\$ 9,059</u>	<u>\$ 2,388</u>	<u>\$ 2,388</u>	<u>\$ 13,835</u>

The allowance for doubtful accounts is not considered to be material for disclosure. As a result, its uncollectible accounts are virtually nil.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

B. Capital Assets

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not being depreciated				
Land	<u>\$ 41,708</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 41,708</u>
Capital assets, being depreciated				
Infrastructure	62,500	60,609	0	123,109
Furniture and Fixtures	3,730	537	0	4,267
Machinery and Equipment	<u>1,575</u>	<u>4,100</u>	<u>0</u>	<u>5,675</u>
Total capital assets, being depreciated	67,805	65,246	0	133,051

MILLEN TOWNSHIP, ALCONA COUNTY
BARTON CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

Less accumulated depreciation for:

Infrastructure	2,083	5,398	0	7,481
Furniture and Fixtures	2,984	382	0	3,366
Machinery and Equipment	1,260	260	0	1,520
	<hr/>			
Total accumulated depreciation	6,327	6,040	0	12,367
	<hr/>			
Total capital assets, being depreciated, net	61,478	59,206	0	120,684
	<hr/>			
Governmental activities capital assets, net	\$ 103,186	\$ 59,206	\$ 0	\$ 162,392
	<hr/>			

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General Government	\$ 642
Public Works	5,398
	<hr/>
	\$ 6,040
	<hr/>

Construction Commitments:

The government has no outstanding construction commitments as of March 31, 2006.

D. Interfund Receivables, Payables and Transfers

There were no individual fund interfund receivable and payable balances at March 31, 2006.

All remaining balances result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All would be expected to be resolved within one year.

There were no interfund transfers as of March 31, 2006.

Transfers are used (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

E. Long-Term Debt

At March 31, 2006, the Township was not obligated for any long-term debt.

MILLEN TOWNSHIP, ALCONA COUNTY
BARTON CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

F. Fund Balance Reserves

In order to comply with generally accepted accounting principles and meet certain legal requirements, the Township has reserved fund balances in various funds. These reserves are detailed in the following schedule:

FUND BALANCE/NET ASSETS

Reserved

Special Revenue Funds

Road Fund

Road Maintenance

\$ 75,696

Municipal Building Fund

Building

44,305

\$ 120,001

G. Fire Fund

These financial statements show the transactions of the Township Fire Fund as they would have occurred if all fire monies received for current and delinquent taxes were sent to the Fire Fund before being sent to the Barton City Fire Department. The payments are being sent to the Barton City Fire Department directly from the Current Tax Fund and from the General Fund due to the substantial savings of time and bookkeeping procedures.

IV. OTHER INFORMATION

A. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, workers compensation insurance and errors and omissions insurance. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

B. Retirement Plan

The Township has a defined contribution pension plan with The Travelers Insurance Company, which covers Township employees who have satisfied the eligibility requirements. Each employee becomes

MILLEN TOWNSHIP, ALCONA COUNTY
BARTON CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

eligible for coverage on the first policy anniversary date which the employee reaches age 18. An employee's normal retirement age is age 65 or the 5th anniversary of the first day of the plan year in which participation in the plan commenced.

The formula for determining contributions is based on an employee's annual compensation. Annual compensation is based on compensation which coincides with the calendar year coinciding with or ending within the plan year. Plan year is April 1st to March 31st of the following year. The Township has elected to contribute 15% of compensation to the plan annually. Past service credit is calculated as 3% of current compensation for each year of past service to a maximum of 10 years.

Township contributions to the plan for 2005-2006 amounted to \$3,282.

Total wages for those covered under the plan was \$21,880 and total wages for the employees including non-covered payroll was \$28,454.

MILLEN TOWNSHIP, ALCONA COUNTY
BARTON CITY, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED MARCH 31, 2006

	<u>GENERAL FUND</u>			<u>ROAD FUND</u>			<u>FIRE FUND</u>			<u>MUNICIPAL BUILDING FUND</u>		
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>												
Taxes	\$ 22,000	\$ 22,000	\$ 17,585	\$ 31,500	\$ 31,500	\$ 38,803	\$ 0	\$ 0	\$ 19,968	\$ 0	\$ 0	\$ 0
Licenses and Permits	700	700	727	0	0	0	0	0	0	0	0	0
Federal Grants	0	0	0	700	700	674	0	0	0	0	0	0
State Grants	30,000	30,000	35,756	1,600	1,600	1,749	0	0	0	0	0	0
Charges for Services	4,300	4,300	4,207	0	0	0	0	0	0	0	0	0
Interest and Rents	50	50	121	300	300	1,193	0	0	0	150	150	419
Other Revenues	600	600	262	0	0	0	0	0	0	0	0	0
Total Revenues	57,650	57,650	58,658	34,100	34,100	42,419	0	0	19,968	150	150	419
<u>EXPENDITURES</u>												
Legislative	6,000	6,900	7,114	0	0	0	0	0	0	0	0	0
General Government												
Supervisor	5,200	6,800	6,283	0	0	0	0	0	0	0	0	0
Assessor	8,500	8,500	7,456	0	0	0	0	0	0	0	0	0
Elections	500	500	4,221	0	0	0	0	0	0	0	0	0
Clerk	8,000	8,000	8,333	0	0	0	0	0	0	0	0	0
Board of Review	800	800	848	0	0	0	0	0	0	0	0	0
Treasurer	9,200	9,200	8,247	0	0	0	0	0	0	0	0	0
Building and Grounds	0	0	0	0	0	0	0	0	0	3,600	3,600	2,400
Cemetery	5,000	5,000	2,659	0	0	0	0	0	0	0	0	0
Public Safety	0	0	0	0	0	0	0	0	19,968	0	0	0
Public Works	1,350	1,350	1,280	67,100	67,100	63,416	0	0	0	0	0	0
Community and Economic Development	3,200	3,200	3,287	0	0	0	0	0	0	0	0	0
Recreation and Cultural	10,000	10,000	2,615	0	0	0	0	0	0	0	0	0
Other Functions	10,100	10,600	8,163	0	0	0	0	0	0	0	0	0
Contingency	3,720	720	0	0	0	0	0	0	0	0	0	0
Total Expenditures	71,570	71,570	60,506	67,100	67,100	63,416	0	0	19,968	3,600	3,600	2,400
Excess (Deficiency) of Revenues Over Expenditures	(13,920)	(13,920)	(1,848)	(33,000)	(33,000)	(20,997)	0	0	0	(3,450)	(3,450)	(1,981)
<u>FUND BALANCE</u> - Beginning of Year	37,205	37,205	45,909	93,765	93,765	96,693	0	0	0	46,285	46,285	46,286
<u>FUND BALANCE</u> - End of Year	\$ 23,285	\$ 23,285	\$ 44,061	\$ 60,765	\$ 60,765	\$ 75,696	\$ 0	\$ 0	\$ 0	\$ 42,835	\$ 42,835	\$ 44,305

MILLEN TOWNSHIP, ALCONA COUNTY
BARTON CITY, MICHIGAN

GENERAL FUND

BALANCE SHEET
MARCH 31, 2006

ASSETS

Cash	\$ 36,181
Taxes Receivable	1,433
Due from Other Governments	<u>7,626</u>
 TOTAL ASSETS	 <u><u>\$ 45,240</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 1,179
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FUND BALANCE

Unreserved	<u>44,061</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 45,240</u></u>
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MILLEN TOWNSHIP, ALCONA COUNTY
BARTON CITY, MICHIGAN

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED MARCH 31, 2006

	<u>ACTUAL</u>
<u>REVENUES</u>	
Taxes	\$ 17,585
Licenses and Permits	727
State Grants	35,756
Charges for Services	4,207
Interest and Rents	121
Other Revenues	<u>262</u>
Total Revenues	<u>58,658</u>
<u>EXPENDITURES</u>	
Legislative	
Township Board	7,114
General Government	
Supervisor	6,283
Assessor	7,456
Elections	4,221
Clerk	8,333
Board of Review	848
Treasurer	8,247
Cemetery	2,659
Public Works	1,280
Community and Economic	
Development	3,287
Recreation and Cultural	2,615
Other Functions	8,163
Contingency	<u>0</u>
Total Expenditures	<u>60,506</u>
Excess (Deficiency) of Revenues	
Over Expenditures	(1,848)
<u>FUND BALANCE</u> - Beginning of the Year	<u>45,909</u>
<u>FUND BALANCE</u> - End of the Year	<u><u>\$ 44,061</u></u>

MILLEN TOWNSHIP, ALCONA COUNTY
BARTON CITY, MICHIGAN

ROAD FUND

BALANCE SHEET
MARCH 31, 2006

ASSETS

Cash	
Money Market Account	\$ 73,308
Taxes Receivable	<u>2,388</u>
 TOTAL ASSETS	 <u><u>\$ 75,696</u></u>

LIABILITIES AND FUND BALANCE

<u>LIABILITIES</u>	\$ 0
 <u>FUND BALANCE</u>	
Reserved for Road Improvements	<u>75,696</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u><u>\$ 75,696</u></u>

MILLEN TOWNSHIP, ALCONA COUNTY
BARTON CITY, MICHIGAN

ROAD FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED MARCH 31, 2006

REVENUES

Taxes

Property Tax	\$ 19,968
Payments in Lieu of Tax	
National Forest Reserve	13,294
Pilt	5,541

State Grants

Metro Act Fee	1,749
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Federal Grants

National Forest Royalties	674
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Interest and Rents

Interest Earnings	<u>1,193</u>
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Total Revenues	42,419
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EXPENDITURES

Public Works

Highways, Streets and Bridges	
Other Services and Charges	
Repairs and Maintenance	<u>63,416</u>

Excess (Deficiency) of Revenues

Over Expenditures	(20,997)
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FUND BALANCE - End of Year

96,693

FUND BALANCE - End of Year

\$ 75,696

MILLEN TOWNSHIP, ALCONA COUNTY
BARTON CITY, MICHIGAN

FIRE FUND

BALANCE SHEET
MARCH 31, 2006

ASSETS

Taxes Receivable	\$ 2,388
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LIABILITIES AND FUND BALANCE

LIABILITIES

Due to Other Governments	\$ 2,388
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FUND BALANCE

Reserved for Fire Protection	<u>0</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 2,388</u>
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MILLEN TOWNSHIP, ALCONA COUNTY
BARTON CITY, MICHIGAN

FIRE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED MARCH 31, 2006

REVENUES

Taxes

Current Property Tax	\$ 19,968
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EXPENDITURES

Public Safety

Fire Protection

Other Services and Charges

Aid to Other Government

Barton City Fire Department	<u>19,968</u>
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Excess (Deficiency) of Revenues

Over Expenditures	0
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<u>FUND BALANCE</u> - Beginning of Year	<u>0</u>
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<u>FUND BALANCE</u> - End of Year	<u><u>\$ 0</u></u>
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MILLEN TOWNSHIP, ALCONA COUNTY
BARTON CITY, MICHIGAN

MUNICIPAL BUILDING FUND

BALANCE SHEET
MARCH 31, 2006

ASSETS

Cash

 Money Market Account

\$ 44,305

LIABILITIES AND FUND BALANCE

LIABILITIES

\$ 0

FUND BALANCE

 Reserved for Municipal Building

44,305

TOTAL LIABILITIES AND FUND BALANCE

\$ 44,305

MILLEN TOWNSHIP, ALCONA COUNTY
BARTON CITY, MICHIGAN

MUNICIPAL BUILDING FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED MARCH 31, 2006

REVENUES

Interest and Rents	
Interest Earnings	\$ 419

EXPENDITURES

General Government	
Building and Grounds	
Other Services and Charges	
Building Rental	<u>2,400</u>

Excess (Deficiency) of Revenues	
Over Expenditures	(1,981)

<u>FUND BALANCE</u> - Beginning of Year	<u>46,286</u>
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<u>FUND BALANCE</u> - End of Year	<u><u>\$ 44,305</u></u>
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MILLEN TOWNSHIP, ALCONA COUNTY
BARTON CITY, MICHIGAN

STATEMENT OF 2005 WINTER TAX ROLL
MARCH 31, 2006

TAXES ASSESSED

County	\$	96,483	
Township			
Operating		11,985	
Roads		19,968	
Fire		19,968	
Intermediate School			
Alpena Montmorency Alcona		<u>22,029</u>	\$ 170,433

TAXES COLLECTED

County	\$	84,974	
Township			
Operating		10,552	
Roads		17,580	
Fire		17,580	
Intermediate School			
Alpena Montmorency Alcona		<u>19,394</u>	<u>150,080</u>

TAXES RETURNED DELINQUENT

County	\$	11,509	
Township			
Operating		1,433	
Roads		2,388	
Fire		2,388	
Intermediate School			
Alpena Montmorency Alcona		<u>2,635</u>	<u>\$ 20,353</u>

MILLEN TOWNSHIP, ALCONA COUNTY
BARTON CITY, MICHIGAN

STATEMENT OF 2005 SUMMER TAX ROLL
MARCH 31, 2006

TAXES ASSESSED

County	\$	29,171	
State Education Tax		123,279	
School			
Alcona Community Schools		247,701	
Intermediate School			
Alpena Montmorency Alcona		<u>22,029</u>	\$ 422,180

TAXES COLLECTED

County	\$	26,881	
State Education Tax		113,230	
School			
Alcona Community Schools		231,200	
Intermediate School			
Alpena Montmorency Alcona		<u>20,158</u>	<u>391,469</u>

TAXES RETURNED DELINQUENT

County	\$	2,290	
State Education Tax		10,049	
School			
Alcona Community Schools		16,501	
Intermediate School			
Alpena Montmorency Alcona		<u>1,871</u>	<u>\$ 30,711</u>

134 WEST HARRIS STREET
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DALE D. COTTER, C.P.A.

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Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

September 12, 2006

LETTER OF COMMENTS AND RECOMMENDATIONS

To the Township Board
Millen Township
Alcona County
Barton City, Michigan

During the course of our audit of the basic financial statements of Millen Township for the year ended March 31, 2006, we noted the following items:

GASB 34

The Government Accounting Standards Board has issued a new pronouncement that will dramatically change the way governmental entities report their financial information. For Millen Township, GASB 34 will become effective for the year ending March 31, 2005.

Some of the changes required by GASB 34 are as follows:

- a) Management's discussion and analysis will be the first thing in a financial report. This will be the administration's narrative overview of the information contained in the financial statements.
- b) The budgetary comparison information must report the original adopted budget and the final amended budget.
- c) Capital assets and long-term liabilities will be required to be reported in the balance sheet. The depreciation on the capital assets will then be reported as an expense in the statement of revenues and expenses. With this change, the financial statements of a government entity will look similar to a for-profit business financial statements.

We recommend the Township carefully review these statements under the new accounting standard. We are available to explain the various changes in detail if so desired.

Budgeting

Pertaining to the Township's compliance with Public Act 621 of 1978, the following items are noted:

- (1) Several activities in the General Fund exceeded budgeted amounts. The budget should always be amended prior to incurring expenditures in excess of budgeted amounts. Any amendments made should be approved by the Township board and recorded in the minutes.
- (2) A budget was not adopted for the Township's Fire Fund. In the future, a budget should be adopted for this fund.

Reportable Condition in Internal Controls

In planning and performing our audit of the basic financial statements of Millen Township for the year ended March 31, 2006, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements.

Certain matters considered to be reportable conditions in internal control were noted. We have included a separate letter (letter of reportable conditions) which addresses those items noted.

We would like to thank the board for awarding our firm the audit assignment of the Township and to thank the township clerk and treasurer for their cooperation.

If you have any questions relative to the above comments and recommendations or other areas of your annual accounting, please feel free to call on us.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

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CERTIFIED PUBLIC ACCOUNTANTS

September 12, 2006

LETTER OF REPORTABLE CONDITIONS

To the Township Board
Millen Township
Alcona County
Barton City, Michigan

In planning and performing our audit of the basic financial statements of Millen Township, Alcona County, Barton City, Michigan for the year ended March 31, 2006, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect Millen Township's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the condition described above is a material weakness.

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.